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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
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STATEMENT OF
CHARLES A. BOWSHER
COMPTROLLER GENERAL OF THE UNITED STATES
BEFORE THE
LEGISLATIVE SUBCOMMITTEE OF THE APPROPRIATIONS COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES
ON
BUDGET ESTIMATES FOR FISCAL YEAR 1985 /



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Mr. Chairman and Members of the Subcommittee:

I am pleased to discuss GAO's budget request for fiscal year 1985. The Justification of Estimates for fiscal year 1985, which you already have, describes our request in detail.

When I came to you last year, I asked for funding to maintain the staff level that GAO had in the prior fiscal year. I pointed out that funding at that level would permit stability while I assessed what needed to be done to assure that GAO continues, and builds on, its excellent tradition of service to the Congress. I would like to share with you the assessments that I made and the initiatives I am taking to put GAO in the best possible position to serve Congress.

INTERNAL ASSESSMENTS AND THEIR RESULTS

Following guidance of the Congress, I spent a large part of the past two years learning and evaluating GAO's strengths and its weaknesses. I went to GAO locations in Washington and throughout the country and the world observing our operations and getting the views of individuals and employee groups. I found a need to strengthen GAO's capabilities in automatic data processing, accounting and financial management, and defense areas. I also found that more attention was needed to assure report quality and timeliness. Our training program needed to be updated, especially in areas related to ADP, and we needed more funds so that Washington staff could travel more to the places where our work is performed.

To address these concerns, I established and worked with various task forces which, with the considerable help of senior people in and out of government, examined GAO activities and organizational arrangements. Those assessments defined the needs for which funds are being requested in fiscal year 1985. They led to a series of management

initiatives, many of which have been put in place. I would like to mention a few of those initiatives.

Organizational Changes

To assure that GAO has the right structure to focus on agencies and their programs, to facilitate teamwork throughout GAO, to marshal scarce specialized skills and to make them available where they are most needed and to promote effective staff support, we made the following organizational changes:

- Assistant Comptrollers General for Planning and Reporting and for Operations were designated to concentrate top management attention to these areas which are vital to effective GAO operations. Similar positions were created in each division and region to focus attention on these areas throughout GAO.
- An Assistant Comptroller General for Human Resources was named to direct the activities of the Personnel Office, the Personnel Systems Development Project, and the Office of Organization and Human Development.
- The Information Management and Technology Division was established to evaluate the application of information management resources, including computers and related systems in federal agency operations; to determine the overall effectiveness with which government is dealing with this burgeoning technology; and to spearhead the training of GAO staff in related areas. Greater GAO attention to these areas is needed because of their importance to government operations and the size of federal expenditures.
- The National Security and International Affairs Division consolidated responsibilities previously shared by four GAO

divisions. This newly established division will assure the concentrated focus of GAO work in defense related and international areas. It will respond to Congress' concern whether the large military buildups are managed efficiently and effectively.

- The Resources, Community and Economic Development Division was formed, consolidating in one division functions previously performed by the Energy and Minerals Division and the Community and Economic Development Division. This will enable us to better focus our efforts in these areas.
- The Accounting and Financial Management Division was restructured to foster the development of a comprehensive financial management system; to better focus GAO's resources to address accounting and auditing policies and practices; and to review achievements of federal agencies in fulfillment of the requirements of the Federal Manager's Financial Integrity Act of 1982.
- The Office of Chief Economist was established to concentrate and focus GAO's resources on important economic issues and to provide a central resource to the Office in support of job related economic analysis performed by GAO audit and evaluation divisions.
- The Office of Quality Assurance was established to implement the recommendations of the Comptroller General's Reports Task Force and to assure continuing day-to-day emphasis on job and report quality and on timeliness.
- The Institute for Program Evaluation was refocused to emphasize the importance of evaluation work and of assistance to other GAO divisions in program evaluation and to spearhead the

training of GAO staff in related areas. It has been redesignated as the Program Evaluation and Methodology Division.

--To emphasize the common purpose of headquarters divisions and regional offices, the Field Operations Division was abolished. Regional managers, as the representatives of the Comptroller General in their respective regions, now report directly to the Office of the Comptroller General.

These changes complete our planned organizational realignments. They will, we believe, provide a firm basis for effective GAO operations in the years to come.

Emphasis on Planning

For some years, GAO has used an issue area planning approach by which our audit and evaluation work is planned on an office-wide basis. We are presently modifying our planning system. Issue area plans will cover a longer-range period -- 2 to 4 years. Annual work plans are being instituted to help direct staff resources to the places where they are most needed and to assure that individual assignments contribute meaningfully to defined larger objectives. Design, methodology and technical assistance groups are being established to assure that individual jobs are designed well and that they will use the methodology and skills that their objectives require. My top staff and I continue to personally review all new job starts.

Emphasis on Quality and Timeliness

In my statement last year, I mentioned my concern that GAO sometimes takes too long to carry out its work and to communicate the results. I mentioned the work of the Reports Task Force and the wide-ranging recommendations that it made. The Office of Quality

Assurance, to which I previously referred, has been created to implement the task force's recommendations and to see that quality and timeliness are always at the forefront of our concern.

We have also instituted a Post Assignment Quality Review System. Using this system, recently completed assignments are randomly selected for review. It is modeled on those used by national professional organizations to monitor the overall quality of work. It provides additional opportunities to identify and resolve problems affecting quality and timeliness. We also have an ongoing project to improve GAO staff writing skills, an important way to help us to communicate more understandably and promptly.

Emphasis on People and Their Skills

I am convinced that our people, their training and skills and the resources available to them are key to GAO's success. Over the past two years, we have made significant progress in overhauling our recruiting, selection, training and staff evaluation processes. The work of our Personnel Systems Development Project continues as a major GAO initiative.

Increased staff training -- particularly in ADP and information management -- is critical to GAO's continued effective performance. We are requesting additional funding in fiscal year 1985 to provide the training the staff needs to keep pace with the technological and other changes that affect their jobs on a day-to-day basis.

Emphasis on Effective Management Information Systems

As you know, GAO also has significant initiatives underway involving our own administrative operations. Last year when we testified before this committee, we proposed funding for the continuance of our efforts to consolidate some 18 administrative

systems into one integrated system which we called CAMIS (Consolidated Administrative Management Information System). Due to several uncertainties surrounding the development of that system I committed to monitor it closely and to evaluate carefully whether our approach would adequately satisfy our needs at a reasonable cost. I have reviewed the progress of the project. We have completed the conceptual design and are into detailed design. While we have had some slippage in some of the milestones, as we reported to you last year, the total system cost will not exceed \$24 million and it will be completed by June 1986.

I remain convinced that CAMIS is necessary for effective operations. CAMIS will not only go a long way to solve our administrative operations problems, but we are also confident that it will be the primary vehicle that will permit us to demonstrate that effective resource management can be accomplished in organizations with complex missions.

GAO'S NEED FOR INCREASED RESOURCES

My assessment of GAO operations shows that to fully meet its responsibilities to Congress, we will need 5,500 staff years -- 500 more than currently authorized. Funding those staff years and providing the training, equipment, travel and other support that the effective utilization of professional staff requires will take \$328.8 million. That is a \$56 million increase over fiscal year 1984.

Of the \$56 million increase, \$15.5 million is generally beyond GAO's control. That amount includes a modest projection to cover inflation and personnel related increases that result from existing legislation and from increases in the cost of office space. Funding associated with the 500 staff year increase is \$25.3 million. The

remaining \$15.2 million will fund needed increases in ADP and communications equipment for use by GAO auditors and support staff, in training that is largely related to communications and information technology, and in the travel needed for effective job performance.

The increase is large. But it is needed. While we are now asking for a substantial increase in funding, we believe that GAO has well demonstrated that it is among the most useful resources available to Congress to save money by increasing the efficiency and effectiveness of federal programs. Each year savings resulting from GAO work are many times the amount appropriated to GAO.

I would like now to discuss briefly the factors giving rise to GAO's need for more resources.

Complexity of Federal Programs
and Their Management

The growth of ADP and its application by the federal work force has been dramatic. In fiscal year 1981, the federal government spent more than \$17 billion on ADP systems, related software, and telecommunications. Since then, annual expenditures have grown at least 30 percent. The trend toward the increased use of these systems by federal agencies continues. We have identified over 100 major ADP systems in various federal agencies that have received little or no review to date. These systems support such vital functions as national security, safe air travel, and the control of billions of dollars in funds transfers for our social and economic programs. Given its decline in staff size over the past five years, GAO has simply not been able to bring enough people "on board" who have the skills needed to evaluate the technology--particularly computer related--that is currently being used in federal programs.

I formed a task force, comprised of experts from the private sector and in-house staff to look into this important area and to recommend actions needed to enable GAO to adequately evaluate how information is being managed within the federal government. As a result of task force recommendations, we formed the Information Management and Technology Division (IMTEC). That division is responsible for GAO's government-wide and agency specific work involving the acquisition and management of computers and information technology.

We formed IMTEC by carefully selecting staff with ADP and information management skills located in various GAO divisions. In fiscal year 1984, by cutting other GAO divisions to levels that do not permit even replacing attrition--thus no "new blood"--we reprogrammed resources to allow IMTEC a modest hiring capability. This has provided IMTEC with a total of 144 headquarters and 130 field staff years. This current staffing level allows for only limited audit coverage of existing and proposed systems which are so vital to the government's operations. Much more is needed. The staff in IMTEC must be highly skilled in computer and communications related disciplines so that they can adequately review the acquisition of new or upgraded systems and audit computer systems currently in operation. The largest part of the increase we are requesting for fiscal year 1985 will go to that division. In that year we will provide IMTEC with an additional 175 headquarters and 155 field staff years.

These additional resources will permit IMTEC to deal more effectively and comprehensively with computer technology used by the government in its major financial, logistics, communications, statistical, research and development, income security, tax, and other systems.

The increase in staff will also provide the capability to train other GAO auditors. This training is critical because it is virtually impossible to conduct major program audits without involving computer related data. For example, much of our program audit work at the Social Security Administration, the Internal Revenue Service, the Department of Agriculture, the Department of the Treasury, the General Services Administration, and the Department of Defense necessarily involves their extensive computer applications.

To further enhance our staff's capability to audit computer systems and to evaluate agency programs which are highly computerized, GAO is seeking to increase its use of computers in its audit and evaluation work. The use of computers can greatly improve our staff's ability to collect and analyze audit data. GAO will require a modest increase in its budget for this computer support. Our fellow auditors in the various Inspector General offices have increased their audit capabilities by using computers. We are also seeing uses of computers in the audit work place of various city, country and state audit organizations, i.e., California State Auditor General's Office, County of San Bernardino Auditor-Controller Office, and the City of New York Auditor's Office. Public accounting firms are also relying heavily on the use of computers.

I can assure you that our request is reinforced by a rigorous planning effort. Our planning efforts to date have included:

- Establishing the appropriate management controls over the use of automated support tools.
- Developing and implementing applicable policies and guidelines for their acquisition and use.

--Implementing pilot projects to determine the appropriate support activities needed for success.

We are introducing technology slowly and carefully to ensure that we are capable of using it to its maximum potential. We are putting mechanisms in place that will permit us to increase our use of electronic work stations and mainframe applications in our audit work. We are very appreciative of the support the committee has given us in the past. Your support of our Electronic Work Station project has made it possible for us to introduce this technology into the agency. What we are requesting today for ADP support is entirely consistent with what we have presented to the committee in the past.

Increases in Defense Spending

Over the past five years, GAO's staff size has declined from the 5,200 staff years available to it in fiscal year 1980 to 5,000 staff years in fiscal years 1983 and 1984. During this same timeframe defense related expenditures have grown dramatically. Defense activities have had budget increases of 81 percent between 1980 and 1984. Continued significant growth is projected over the foreseeable future.

This increase in defense spending carries with it the need for GAO to increase its work in defense related areas. The Congress expects GAO to inform it on the manner in which the increases are being used, on the efficiency of defense programs and whether they are meeting congressionally directed objectives. This is the primary reason for forming a single division--NSIAD--rather than having our defense related work split among four divisions.

The increase in GAO's defense related work cannot be met by reducing our effort in connection with other federal programs.

Spending for nondefense programs has not increased materially. But pressures for continuation of, at least, existing levels of service without spending increases have made it all the more important to assure the efficiency and effectiveness of the delivery mechanisms used by federal agencies.

The Federal Manager's Financial

Integrity Act of 1982

That act made clear the emphasis that Congress is placing on improving management and internal controls used by federal agencies. GAO is well situated to make significant contributions to effective implementation of the act and to assist the Congress in its oversight. The act involves an area of long standing GAO emphasis. It provides an important vehicle to get needed improvements in federal agency management. Present GAO work in this area now encompasses the 20 largest federal departments and agencies. While GAO's longer-range approaches to financial integrity objectives are now being developed, it is clear that GAO audits and evaluations are needed to help the Congress and executive agencies achieve financial integrity objectives. This will require a significant GAO resource commitment.

I might add here that GAO continues to support the establishment of the Government Accounting Standards Board which would promulgate uniform accounting standards for state and local governments. This would be very useful to federal agencies in that it would make uniform and objective the reporting of financial information by state and local governments. The attachment to my statement suggests language that could be included in our appropriation to provide \$100,000 for such support.

EXAMPLES OF GAO WORK RESULTING

IN FISCAL YEAR 1983 SAVINGS

I believe that GAO's contribution during fiscal year 1983 was impressive, and I would like to mention some of the accomplishments of our people. An important measure of GAO's effectiveness is that in fiscal year 1983 we identified \$4.5 billion in collections and other benefits that resulted from GAO work. This equaled 17.7 times the amount appropriated to GAO in that year. As large as these one time savings are, they are conservatively computed. Where multi-year savings result from GAO recommendations, they include, for the most part, only savings realized during the first year of implementation. In addition, many GAO recommendations improve the effectiveness of federal operations in ways that cannot be measured.

GAO's work often raises questions concerning the cost-effectiveness of programs or activities. This can lead to the termination of programs by the Congress or responsible agencies. During fiscal year 1983, GAO identified ten federal programs or activities which were terminated as a result of GAO's reviews for a total savings of \$641.9 million.

GAO's evaluations identify many other ways to change operations so that costs are reduced, but program effectiveness is maintained. When these changes are implemented, funds are not expended that otherwise would have been. Examples of GAO-influenced cost reductions identified in fiscal year 1983 include:

Defense Spending

--GAO reviewed the justifications for the Army, Navy, Air Force and Marine Corps fiscal year 1983 appropriation requests for conventional ammunition. We found that, if the funding

requests were approved, some inventory levels would have exceeded requirements, that several procurements were premature because of production and performance problems, and that some cost estimates were overstated. As GAO recommended, the Congress made a number of line-item reductions for each service and reprogrammed other funds saving a total of \$540.7 million.

--GAO provided information to the Congress which questioned the Navy's need for fleet oiler and salvage ships it was planning to construct. Based on this information, the Congress reduced fiscal year 1983 funding for both programs and directed the Navy to reduce its fiscal year 1984 budget request for salvage ship construction resulting in savings of \$307.5 million.

Health Programs

--GAO reported that certain Medicare payments to Group Practice Plans were not consistent with the Social Security Act or Department of Health and Human Services regulations. GAO recommended that these payments be terminated. The Department took action to eliminate these payments, saving \$3.9 million.

--As part of its plan to construct a new Naval Regional Medical Center, the Navy intended to "mothball" the current medical center building. GAO pointed out that the Navy could use the vacant building for several support activities, thus eliminating additional construction needs. The Navy decided to use the old medical building for enlisted personnel housing instead of building new housing at a savings of \$12.0 million.

--In a report to the Congress, GAO identified numerous opportunities to increase interagency medical resource sharing. GAO concluded that eliminating legislative and administrative

obstacles and implementing a structured federal interagency sharing program would benefit both the federal government and its health care beneficiaries. The report also contained legislative recommendations to encourage sharing and to remove obstacles.

Legislation based on the report's recommendation was enacted. The total potential savings which would result from coordinated planning and sharing of federal medical resources is difficult to estimate. GAO has testified that, if a legislatively mandated and fully operational interagency sharing program is achieved, federal direct health costs (over \$10 billion annually) could be reduced by as much as \$100 million a year.

Other Activities

- In Congressional testimony, GAO discussed the limited accomplishments of the Environmental Protection Agency's "Superfund" hazardous waste program. We pointed out that Superfund spending lagged far behind appropriated spending levels and that implementation problems were not caused by lack of funds. For fiscal year 1983, the Congress reduced EPA's appropriation request for Superfund activities for a savings of \$20.0 million.
- In a 1982 report to the Commissioner of Internal Revenue, GAO pointed out that taxpayers were apparently claiming improper geothermal energy income tax credits. GAO estimated that millions of dollars in improper claims were allowed between 1978 and 1980. In response to GAO's report, IRS issued an information notice to its people in districts and service

centers alerting them to the possibility of improper claims and to the rigorous requirements that have to be met before a claim can be allowed. IRS is also considering revising instructions on the energy credit claim form to provide taxpayers with a better definition of geothermal resources.

CONCLUSION

Over the past fifteen years the Congress has recognized the need, and has taken steps, to improve its own evaluation and analytical support. The intervening years have made clear the wisdom of those actions. The Congress has greatly strengthened its information base for use in oversight of executive branch agencies and in legislative decisions.

The increase in resources that GAO is now requesting will fill a present congressional need to maintain and to build on that base. GAO's ability to evaluate all aspects of agency operations, regardless of the sophistication of the technology that they employ and to respond fully and promptly to committee and member requests regardless of the subject matter, requires strengthening along the lines described above.

Our request represents staffing levels that we believe will be needed in fiscal year 1985 and over the foreseeable future. Our present intention is to stay at that level barring unforeseen circumstances. We do not plan to ask for increases over that level in subsequent years.

In a very real sense, providing the resources to strengthen GAO is an investment which will yield substantial and tangible paybacks. A fully staffed and effective GAO is among the most useful resources

available to Congress to reduce federal expenditures and to ensure that programs and agency operations are carried out efficiently and effectively.

"Provided further that this appropriation shall be available to finance a portion, not to exceed \$100,000, of the costs of the Governmental Accounting Standards Board."

The Governmental Accounting Standards Board is sponsored by the Financial Accounting Foundation, a private, non-profit corporation with public and private sector membership. We believe it's desirable to support the board in its early start up years.

The Governmental Accounting Standards Board will promulgate uniform accounting standards for state and local governments. These standards will be very useful to the federal government in general and particularly to the General Accounting Office because they will provide more uniform and objective reporting of financial information by state and local governments. Such information is needed by private investors to make more informed investment decisions (e.g., the purchase of state bonds), as well as by federal agencies to determine whether grant and revenue sharing funds are being properly spent.

Uniform standards will ease substantially the burden of tracking the application of block grant funds and will assist us in maintaining accounting standards for the federal sector. The Board will be financed predominantly by state and local governments and private sources. The General Accounting Office participated with the Committees that organized the Board and it is important that the federal government join with other sources to support the Board's initial operations.

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BEFORE THE
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MR. CHAIRMAN:

We are requesting \$5,649,000 in supplemental funds for fiscal year 1984. This request is based on the cost to GAO of paying for the 3.5 percent civilian cost-of-living adjustment that became effective on January 8, 1984.

Personnel costs in FY 1984 account for 76 percent of our budget, about the same level as in FY 1983 (77 percent). I would like to absorb part of this request, but we have examined closely our financial requirements for the balance of the fiscal year and find it impossible to free up funds at this time without causing serious disruption to our operations.

We will continue to review our financial requirements and will notify the committee should funds be identified to offset some of our supplemental request.

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